

be credited may equal one payment on one timber sale.

§ 5475.4 Conditions for return of timber sale contracts.

(a) Contracts returned pursuant to this subpart which have had no harvesting or road construction work shall be returned in full. The purchaser shall not retain any portion of the timber sale contract.

(b) Contracts returned pursuant to this subpart under which harvest or any type of road work has begun may be returned to the authorized officer subject to his or her authority to reject the contract or to accept it upon compliance with conditions to be established by the authorized officer. The authorized officer may reject a contract if he or she determines that the remaining unharvested portion is substantially unrepresentative of the original sales as a whole in terms of species, logging methods, or other appropriate criteria, and that accepting the return of such contract would not be in the public interest. Other reasons for rejection may include, but are not limited to, such considerations as: (1) amount of value loss due to deterioration in felled timber; (2) impractical remaining harvest unit resulting from purchaser failing to complete an entire logging unit; (3) road construction determined not to be at a logical stopping point.

(c) The authorized officer may accept payment for the amount of volume loss in felled timber in lieu of requiring removal of the felled timber; provided that the remaining felled timber constitutes a practical harvest unit. Payment for volume loss in felled timber shall be based on current market price applied to volume loss as determined by the Bureau. Such payment shall be in addition to payment of the buy-out cost for the volume of timber affected by deterioration.

(d) The authorized officer shall include conditions for acceptance of the returned contract and a schedule for its completion as part of the purchaser's modification application package. Conditionally returned contracts shall not be accepted by the authorized officer until the purchaser has fulfilled all the conditions established in the

modification application. If the purchaser does not fulfill these conditions in accordance with the schedule for their completion, the sale shall no longer qualify for buy-out under the Act and shall terminate on the date scheduled for its completion or the date provided in the agreement under the grace period extension program, whichever is later.

§ 5475.5 Alternative method of payment.

If unable to obtain sufficient credit elsewhere, a purchaser may finance the buy-out charge by paying 5 per centum of the buy-out charge at a time specified by the buy-out agreement and paying the remainder in equal quarterly payments over a period not to exceed 5 years. These additional requirements shall apply:

(a) The purchaser shall provide documentation to the authorized officer of inability to obtain private financing at reasonable rates and terms as defined in this subpart, from at least two Federal or State chartered financial institutions engaged in providing financing to the timber industry and one from the lending institution with which the purchaser usually transacts business.

(b) Upon request, the purchaser shall make available copies of loan papers for loans acquired within six months of the date of publication of the final rules and for loans acquired between the publication date and submittal of the purchaser's buy-out request, which have reasonable interest rates, as defined in § 5475.0–5(k) of this subpart.

(c) The interest rate shall be adjusted with each payment to equal the average market yield of outstanding Treasury obligations with 5 years remaining to maturity. Such information shall be obtained by the authorized officer from the United States Department of the Treasury.

(d) The purchaser shall sign a promissory note agreeing to the terms and conditions of payment.

(e) Payment shall be secured by bond, deposited securities, or other forms of security acceptable to the authorized officer in an amount sufficient to cover the entire buy-out payment owing on those Bureau contracts. If a bond of corporate surety is used, the payments